

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Ryckman Creek Resources, LLC, Three Riverway Suite 1100, Houston, Texas, 77056, ("Ryckman Creek"), enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the alleged violations cited in the Notice of Violation docket number 5494-14 ("Notice of Violation"). The Notice of Violation alleged that Ryckman Creek violated the Wyoming Air Quality Standards and Regulations ("Air Quality Rules") by failing to either complete the initial performance test for the amine still vent or to control vapors from truck loading losses, as required by Permit MD-12204, at the Ryckman Creek Plant, located in Uinta County, Wyoming ("Facility").

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Ryckman Creek and the DEQ/AQD hereby agree as follows:

1. Ryckman Creek is a Delaware limited liability company authorized to do business in Wyoming. Ryckman Creek is the owner and operator of the Facility.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.
3. Wyo. Stat. Ann. § 35-11-201 provides, "[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the [environmental quality] council."
4. Wyo. Stat. Ann. § 35-11-801(a) states in part, "In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards."
5. On September 27, 2011, DEQ/AQD issued Permit MD-12204 to Ryckman Creek for the Facility.
 - a. Conditions 7 and 8 require Ryckman Creek to complete initial performance tests on the Amine Still Vent at the Facility within 30 days of achieving a maximum design rate, but no later than 90 days after initial startup.

- b. Condition 13 requires Ryckman Creek to control emissions of hazardous air pollutants (HAPs) and volatile organic compounds (VOC) by routing vapors from truck loading losses to the thermal oxidizer.
- c. Condition 24 requires Ryckman Creek to control emissions of HAPs and VOC by routing them to an emission control system, without venting.

6. On May 28, 2014, DEQ/AQD Inspector Mr. Jared Beck was informed by a Ryckman Creek employee that the amine still vent had operated for 81 days, shut down, and then restarted for 7 days. However, upon further review of records provided by Ryckman Creek, DEQ/AQD discovered that the amine still vent had operated for at least six months without completing an initial performance test, in apparent violation of Conditions 7 and 8 of Permit MD-12204.

7. DEQ/AQD Inspector Mr. Jared Beck also observed that vapors from truck loading were not routed to the emission control system, in apparent violation of Conditions 13 and 24 of Permit MD-12204.

8. On October 24, 2014, DEQ/AQD issued Notice of Violation 5494-14 to Ryckman Creek. The Notice of Violation alleged that Ryckman Creek had violated Conditions 7, 8, 13, and 24 of Permit MD-12204. The alleged violations were that Ryckman Creek had not performed an initial performance test of the amine still vent and that it had not properly controlled vapors.

9. Without admitting liability with respect to the allegations made in paragraphs 5 – 8 above and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), and in exchange for DEQ/AQD's agreement to take no further action against Ryckman Creek related to the violations alleged in the Notice of Violation and this Agreement, Ryckman Creek agrees to pay to the DEQ/AQD the amount of eleven thousand two hundred dollars (\$11,200) as a stipulated settlement to resolve the violations alleged in the Notice of Violation. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Ryckman Creek for these particular alleged violations. Ryckman Creek agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days of the date that Ryckman Creek is notified by DEQ/AQD by email to Chuck Sawyer at csawyer@PeregrineMpllc.com that the final signature has been affixed to this Agreement. Ryckman Creek agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

10. Ryckman Creek, by entering into this Agreement, does not concede or admit any liability, fault, or statutory, regulatory, or permit noncompliance. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Ryckman Creek may have against any entity.

11. Compliance with paragraph 9 of this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Ryckman Creek arising from the allegations contained within the Notice of Violation and this Agreement. By this Agreement, the Parties intend to resolve with prejudice all allegations that are contained within the Notice of Violation and this Agreement.

12. In the event that Ryckman Creek fails to fulfill its obligations under this Agreement, Ryckman Creek waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

13. This Agreement shall be admissible by either Ryckman Creek or the DEQ/AQD without objection by the other party in any action brought by either DEQ/AQD or Ryckman Creek relating to the violations alleged herein.

14. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor Ryckman Creek shall have any claim against the other for attorneys' fees, or any other costs, related to the preparation and resolution of this Agreement.

15. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

16. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

17. This Agreement, consisting of four (4) pages, represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

18. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

19. The parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the parties to this Agreement, and shall inure solely to the benefit of the parties

to this Agreement. The parties to this Agreement intend and expressly agree that only parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

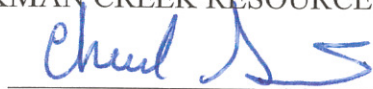
20. DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

21. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed.

IN WITNESS THEREOF, the parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

RYCKMAN CREEK RESOURCES, LLC.:

By:



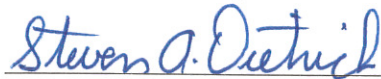
Chuck Sawyer
Vice-President

Date

2/24/15

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:



Steven A. Dietrich, AQD Administrator

Date

3-3-15

By:



Todd Parfitt, DEQ Director

Date

3/3/15

APPROVAL AS TO FORM:



Elizabeth Lyon

Assistant Attorney General
Attorney for DEQ/AQD

Date

3/4/15